

# NEW MEXICO ECONOMIC SUMMARY



MAY 2011

## LONG-TERM UNEMPLOYMENT AND UNEVEN POPULATION GROWTH THREATEN RECOVERY

New Mexico's slow recovery from the Great Recession promises to be different from previous recoveries, not only because of the depth of the plunge, but also because of two structural challenges – chronic unemployment and dramatically uneven population growth – that are less responsive to a general economic recovery.

### *Long-Term Unemployment at Historic Highs*

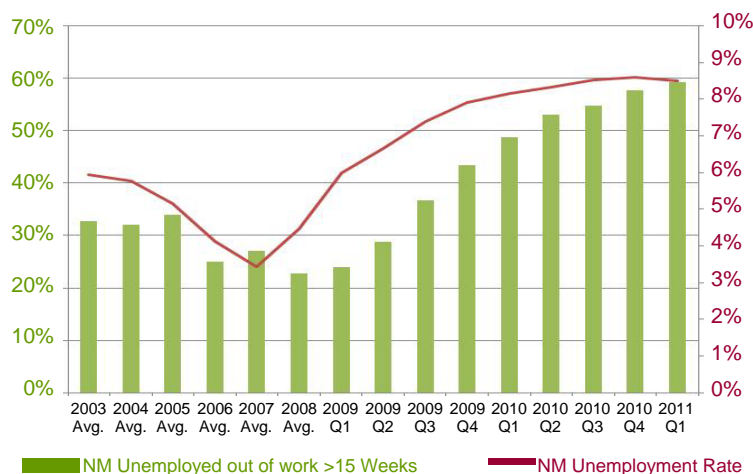
The first structural challenge is the unusually large number of workers both in New Mexico and the U.S. who have been out of work for a long time. While a high unemployment rate during a recession can be caused either by a large number of unemployed persons who are each unemployed for a short time or by a relatively small number of unemployed workers who are out of work for longer periods, it is long-term unemployment that causes the greatest policy challenges.

While the New Mexico unemployment rate has fallen recently, the percentage of the unemployed who have been out of work for more than 15 weeks continues to rise defiantly, as shown in the graph at right. In the first quarter of 2011, almost 60% of the unemployed in New Mexico and the U.S. had been out of work for more than 15 weeks; for both New Mexico and the U.S., this is almost twice the percentage who were unemployed for more than 15 weeks during the last U.S. recession.

A more startling statistic for the U.S., not available for New Mexico, is that more than 40% of the U.S. unemployed have been out of work for more than six months. This is also twice the percentage of unemployed seen during the last U.S. recession and is a higher percentage than at any time since records were first kept after World War II.

Adding to the problem is the reality that the longer the unemployed go without work, the more likely they are to stop looking for work, which means they are not counted as unemployed, even though they do not have a job. The official U.S. labor force for April was 153.4 million, with 13.7 million unemployed. The labor force participation rate (the percentage of the population either employed or looking for work) is now at 64.2%, down from a peak of 66% in

**New Mexico Unemployment Rate and Percentage of Unemployed out of Work More Than 15 Weeks**



December 2007. This drop of 1.8% means that there are approximately 1.6 million people in the U.S. not being accounted for in the official unemployment rate who probably need a job and cannot find one.

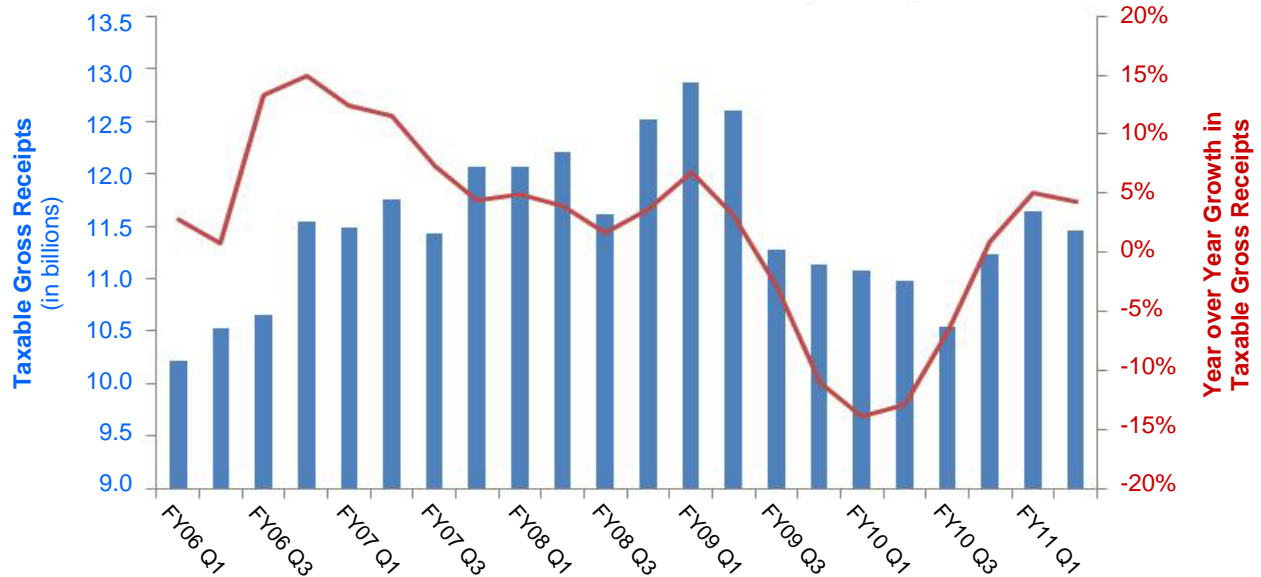
Men and women who are unemployed for no more than a few weeks create relatively few problems for themselves or the economy. They can usually pay for their basic living expenses out of their own savings, unemployment compensation payments or loans from family and friends. But the long-term unemployed pose a more serious problem because they (and potential employers) tend to lose confidence in their abilities, their resources to pay for daily expenses become depleted, they may be forced to move and their family life undergoes considerable stress.

Although more educated and older workers are far less likely to become unemployed, once they do, they have a much tougher time finding jobs that pay close to what they had been earning. College-educated and older workers constitute a much larger percentage of the long-term unemployed than they do of the total number of unemployed. While many low-paying jobs are available to the young and less educated, relatively few jobs that pay as well as previous jobs are available for more skilled and experienced workers. The resulting negative impact on the economy due to the loss of the income of these workers is much greater.

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## TAXABLE GROSS RECEIPTS

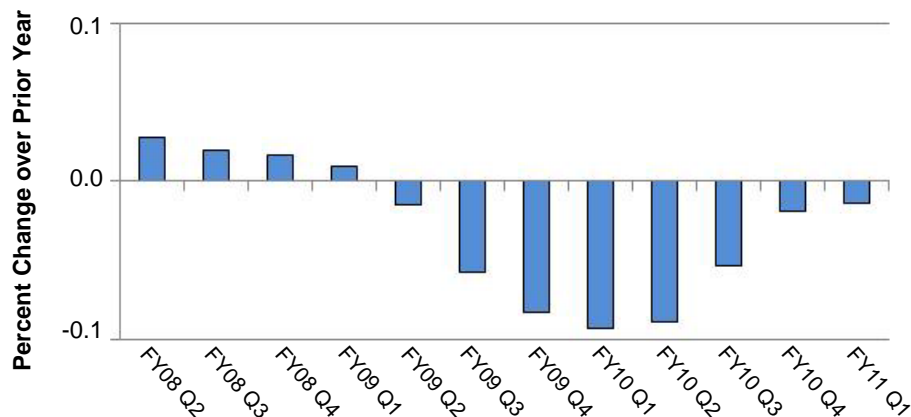
### Taxable Gross Receipts by Quarter



- Growth in taxable gross receipts (TGR) slowed to 4% in the second quarter of FY11, down from 5% during the first quarter of FY11.
- The last quarter of FY10 showed positive growth in TGR after six quarters of negative growth.
- TGR in the second quarter of FY11 is 11% lower than the peak level in the first quarter of FY09.

## EMPLOYMENT

### New Mexico Employment Growth



- Employment losses appear to have stabilized at 4.9%, or 41,000 jobs, since the second quarter of FY09.
- Year-over-year growth in non-farm employment is expected to remain flat in FY11, while FY12 will see annual growth of less than 1.5%.
- Non-farm employment levels are not projected to reach the peak level of 853,000 seen in the second quarter of FY08 until FY13.
- New Mexico has not experienced the same recovery as the remainder of the U.S. While the U.S. unemployment rate has been decreasing in calendar year 2011, the New Mexico unemployment rate has been increasing.
- As of January 2010, the national unemployment rate was 1.5 percentage points higher than that in New Mexico. As of March 2011, the unemployment rates are both 8.8%. This may be consistent with the argument that New Mexico will lag the national trend, as it did when the nation entered into the Great Recession.

## U.S. AND NEW MEXICO ECONOMIC OUTLOOK

	FY 2010	FY 2011	FY 2012
<b>NATIONAL ECONOMIC INDICATORS</b>			
U.S. Real GDP Growth (level annual avg., % year over year)*	0.682	2.456	2.575
U.S. Inflation Rate (CPI, annual avg., % year over year)**	0.99	1.32	1.7
Federal Funds Rate (%)	0.151	0.146	0.326
<b>NEW MEXICO LABOR MARKET AND INCOME DATA</b>			
NM Non-Agricultural Employment Growth (%)	(3.212)	0.176	1.027
NM Personal Income Growth (%)***	0.03	3.482	2.198
NM Private Wages and Salaries Growth (%)	(2.297)	2.163	3.611
<b>CRUDE OIL AND NATURAL GAS OUTLOOK</b>			
NM Oil Price (\$ per barrel)	\$71.29	\$76.87	\$82.69
NM Taxable Oil Volumes (million barrels)	62.7	64.2	64.2
NM Gas Price (\$ per thousand cubic feet)****	\$5.18	\$5.00	\$5.75
NM Taxable Gas Volumes (billion cubic feet)	1,285	1,229	1,191

\*Real GDP is BEA chained 2005 dollars, billions, annual rate.

\*\*CPI is all urban, BLS 1982-84 = 1.00 base.

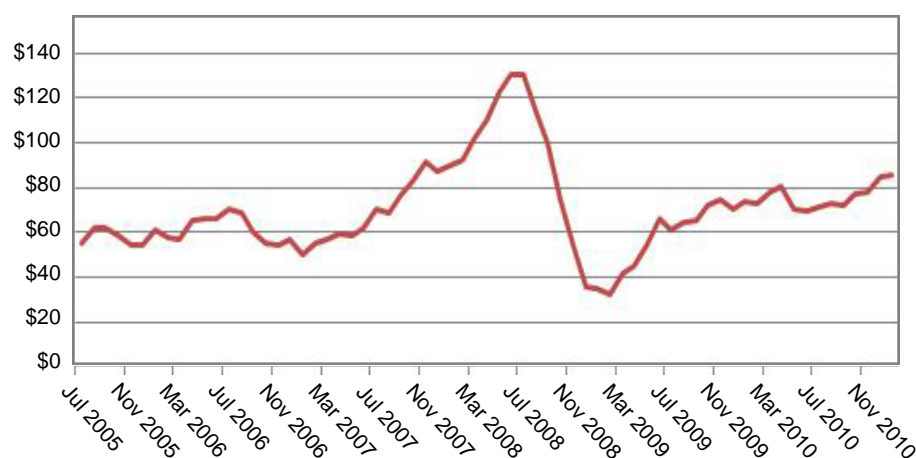
\*\*\*Personal income growth rates are for the calendar year in which each fiscal year begins.

\*\*\*\*Gas prices are estimated using a formula of NYMEX, PIRA and Global Insight future prices as well as liquid premium based on oil price.

Sources: January Global Insight and February BBER

## OIL AND GAS

### New Mexico Oil Price



► As of January 2011, the fiscal year-to-date (YTD) average oil price is \$77.50 per barrel, roughly 14% higher than last year. YTD oil volumes suggest an FY11 total of 66.4 million barrels. Year-over-year production volumes are up 6.3% from the same period last year. Political unrest in the Middle East and natural disasters in Japan add uncertainty to New Mexico oil prices and production.

► New Mexico oil rig counts have nearly tripled from a monthly average of 25 in March 2009 to 69 rigs in March 2011. In contrast, New Mexico natural gas rig counts are down by 50% since March 2009, from 16 to a monthly average of eight in March 2011. By comparison, national rig counts fell by only 2% during the same period.

► As of January 2011, YTD New Mexico natural gas volumes were about 5.7% lower than last year. The fiscal YTD average price for natural gas is \$5.20 per thousand cubic feet. However, large inventories and continuing supply increases in the national market will prevent prices from rising to the levels seen in 2008 when the annual average was \$8.43.

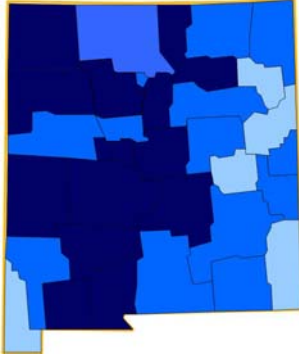
## New Mexico Population Growth by County

Population Growth  
> State Average

Population Growth  
< State Average

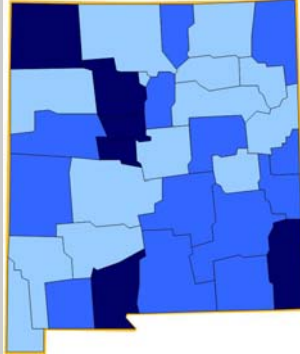
Population Decline

1990-2000



Torrance	64.4%
Lincoln	58.9%
Valencia	46.2%
Sandoval	42.0%
Catron	38.2%
Luna	38.1%
Sierra	33.9%
Santa Fe	30.7%
Taos	29.7%
Doña Ana	28.9%
San Juan	24.2%
McKinley	23.3%
Socorro	22.4%
Mora	21.5%
<b>New Mexico</b>	<b>20.1%</b>
Otero	20.0%
Rio Arriba	19.9%
San Miguel	17.0%
Bernalillo	15.8%
Guadalupe	12.6%
Grant	12.0%
Colfax	9.8%
Roosevelt	7.9%
Cibola	7.6%
Curry	6.7%
Eddy	6.3%
Chaves	6.1%
Los Alamos	1.3%
Union	1.2%
Hidalgo	-0.4%
De Baca	-0.5%
Lea	-0.5%
Quay	-6.2%
Harding	-17.9%

2000-2010



Sandoval	46.3%
Dona Ana	19.8%
Bernalillo	19.0%
Lea	16.6%
Valencia	15.7%
San Juan	14.3%
<b>New Mexico</b>	<b>13.2%</b>
Santa Fe	11.5%
Roosevelt	10.1%
Taos	9.9%
Union	9.0%
Curry	7.4%
Chaves	6.9%
Cibola	6.3%
Lincoln	5.6%
Catron	5.1%
Eddy	4.2%
Otero	2.4%
Luna	0.3%
Guadalupe	0.1%
Socorro	-1.2%
Los Alamos	-2.1%
Rio Arriba	-2.3%
San Miguel	-2.4%
Colfax	-3.1%
Torrance	-3.1%
McKinley	-4.4%
Grant	-4.8%
Mora	-5.8%
De Baca	-9.7%
Sierra	-9.7%
Quay	-11.0%
Harding	-14.2%
Hidalgo	-17.5%

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The steep and persistent downturn in New Mexico's construction sector and related finance and service sectors, as well as cutbacks in state and local government, have been major contributors to the growth in long-term employment. And there is little indication that these sectors will recover anytime soon.

As the New Mexico economy recovers from the current recession, the unemployment rate and, particularly, the long-term structural unemployment will remain high relative to previous economic recoveries.

### ***New Mexico Population Growth Uneven from 2001-2010***

The 2010 census identified a second structural shift that will impact New Mexico's economic recovery: an increasingly concentrated population growth over the last two decades, with fewer counties experiencing above-average growth and more counties growing slowly or losing population.

From 1990-2000, New Mexico's population grew by 20.1%, and the growth was spread relatively evenly across the state. Fourteen counties grew faster than the state average and another six counties grew by 12% or more during the decade. Only five counties lost population.

From 2001-2010, population growth was slower and much more concentrated among a few counties. Only six counties grew more than the statewide average of 13.2%: San Juan, Sandoval, Bernalillo, Valencia, Doña Ana and Lea counties, with Sandoval County far in the lead, growing 46.3% during the decade. On the other hand, 14 counties lost population, and another 10 counties had population growth of less than 10%.

There are many reasons that the population in metropolitan and certain rural areas has grown faster than other areas of the state. Jobs are a leading factor, with jobs being more plentiful in New Mexico's metro and petroleum-producing areas of the state. And as these areas grow, they are able to provide better infrastructure and social amenities that, in turn, attract additional population and more businesses, which create additional jobs that stimulate additional job-related in-migration. In certain areas of the state that are popular with retirees, the causation has worked somewhat in reverse: a growth in non-working population has attracted construction and service workers to serve the needs of a growing population.

The recovery in the New Mexico economy, especially if accompanied with a continued increase in oil and gas prices, will provide a greater benefit to those areas that have established themselves as growth centers during the last decade. And those areas with below-average growth or population declines during the last decade will continue to decline without effective policy initiatives to the contrary.